

Message Text

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ACTION NEA-10

INFO OCT-01 AF-06 ARA-06 ISO-00 FEA-01 ERDA-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01

H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00

PA-01 PRS-01 /104 W

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R 141448Z NOV 75

FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC 3343

INFO AMEMBASSY CARACAS

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

C O N F I D E N T I A L ALGIERS 3350

E.O. 11652: GDS

TAGS: ENRG, AG

SUBJECT: ALGERIAN OIL IN 1976

REF: ALGIERS 3283 (NOTAL)

1. SUMMARY: ACCORDING SENIOR SONATRACH OFFICIAL,
ALL 1976 ALGERIAN OIL AVAILABLE FOR EXPORT NOW SOLD.
ALGERIA WILL SELL SIGNIFICANTLY MORE OIL DIRECTLY TO US IN
1976--WITH OVER 30 PERCENT OF ALGERIAN OIL EXPECTED TO GO
TO US. ALGERIA'S NEW AUTOMATIC PRICING SYSTEM
EXPECTED TO RAISE AVERAGE SALE PRICE FOR 1976 TO
ABOUT \$13.00 PER BARREL. END SUMMARY.

2. ACCORDING TO SLIMANE BOUGUERRA, DIRECTOR OF
EXTERNAL MARKETING FOR SONATRACH, ALGERIA HAS NOW SOLD
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ALL OF PRODUCTION AVAILABLE FOR EXPORT IN 1976.
BOUGUERRA TOLD EMBOFF NOV. 12 THAT TOTAL ANTICIPATED PETROLEUM

EXPORTS IN 1976 WOULD BE 800,000 B/D OR ABOUT 40 MILLION TONS. BOUGUERRA NOTED WITH SATISFACTION THAT US WOULD BE MUCH LARGER BUYER OF ALGERIAN OIL IN 1976 THAN IN 1975. OVER 30 PERCENT OF DIRECT SALE ALGERIAN OIL WOULD GO TO US IN 1976 AS OPPOSED TO ABOUT 20 PERCENT IN 1975.

3. BOUGUERRA HIMSELF WILL LEAVE FOR US NOV. 16 WHERE HE WILL SIGN SEVERAL OIL SUPPLY CONTRACTS WITH US FIRMS. HE NOTED THAT SONATRACH'S FORMER CLIENTS IN US WOULD SIGN UP AGAIN IN 1976. THESE INCLUDED SUN OIL, TESORO, MOBIL, AND AMOCO. MANY NEW US COMPANIES WOULD ALSO SIGN NEW CONTRACTS.

4. ASKED WHETHER SONATRACH'S AVERAGE PRICE FOR 1976 WOULD BE IN RANGE \$12.75, BOUGUERRA SAID AUTOMATIC PRICE INDEXING SYSTEM WOULD CARRY IT MUCH HIGHER THAN THIS GIVEN CURRENT HIGH VALUE OF LIGHT PETROLEUM PRODUCTS IN EUROPE AND US. ALGERIAN OIL IN FOURTH QUARTER BEING SOLD FOR \$1.58 OVER BENCHMARK (I.E., \$13.09) AND ALGERIA WAS SELLING ALL IT HAD. PRICE WOULD BE SLIGHTLY LOWER IN 1976 BUT BOUGUERRA SAID HE EXPECTED AVERAGE WOULD WORK OUT TO CLOSE TO \$13.00 PER BARREL. THERE WOULD BE CERTAIN PRICE SPREAD BETWEEN HIGHEST AND LOWEST PRICED CRUDE SOLD TO CUSTOMERS OF ALGERIA, BUT AT MOST BOUGUERRA SAID THIS WOULD AMOUNT TO \$0.05. ALTHOUGH LARGER DIFFERENCES THEORETICALLY POSSIBLE, HIGHER QUALITY DIFFERENTIAL FOR US COUNTERBALANCED HIGHER FREIGHT DIFFERENTIAL TO EUROPE.

5. RE QUANTITY DISCOUNTS (SEE REFTTEL), BOUGUERRA CONFIRMED THAT THESE HAD BEEN DISCUSSED AT BEGINNING OF TALKS WITH CUSTOMERS RE 1976 CONTRACTS. WHEN SONATRACH REALIZED ALL OIL COULD BE SOLD WITHOUT SUCH DISCOUNTS, OBVIOUSLY IDEA WAS DISCARDED.

6. COMMENT: BOUGUERRA HAS BEEN IN CHARGE OF CONTRACT NEGOTIATIONS FOR SONATRACH, IS SELLING 1976 OIL AND IS THUS VERY WELL PLACED SOURCE. CLEARLY WHEN
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BOUGUERRA SPEAKS OF ALL OIL AVAILABLE FOR PRODUCTION IN 1976 BEING "SOLD," HE MEANS COMMITTED. AS NOTED SEVERAL US OIL CONTRACTS WILL BE SIGNED WEEK OF NOV. 17, AND OTHERS APPARENTLY BEING FINALIZED. ALSO, CONTINUING REPORTS IN ALGIERS THAT BARTER DEALS ARE STILL BEING DISCUSSED PERHAPS SUGGESTS THAT SOME AVAILABLE 1976 OIL MAY HAVE BEEN ALLOCATED TO BUYERS THAT ARE LINKED TO BILATERAL DEALS. PARKER

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